

March 30, 2015

Re: Audit of Kevin McCarthy for Congress

Federal Election Commission

Audit Division

Kendrick Smith

999 E Street, NW

Washington, DC 20463

Dear Mr. Smith:

The purpose of this letter is to respond to the Audit Division's Draft Final Audit Report ("DFAR") regarding Kevin McCarthy for Congress ("Committee") during the period January 1, 2011 – December 31, 2012. This response is sent within the requested 30 days of receipt.

The Audit Division reached two findings in the DFAR. Those findings are repeated below along with our comments.

Finding 1. Receipt of Contributions in Excess of the Limit

As stated in the DFAR, Audit staff identified apparent excessive contributions from individuals totaling \$77,094. According to the Audit staff, all excessive contributions were the result of the Committee not resolving the excessive portion of contributions by timely forwarding a presumptive letter to its contributors informing them how their contribution had been redesignated and/or reattributed, or refunding the excessive contribution.

As noted in the DFAR, the Committee's representatives submitted presumptive reattribution and redesignation letters that were sent to the contributors relative to the apparent excessive contributions. The DFAR concluded that the Committee resolved the excessive contributions, but determined its actions were untimely.

The Committee believes that it did indeed timely forward presumptive letters to its contributors informing them how their contribution had been redesignated and/or reattributed.

However, because such efforts would have been undertaken by its prior treasurer, the Committee could not prove so with a degree of acceptable certainty. Audit staff originally told the Committee that if its donation and solicitation forms included the proper disclaimers it would serve to sufficiently notify donors as to where their funds would be contributed. The Committee under its prior administration did not retain copies of donation forms and solicitations, so the Committee could not prove such information with certainty to the Audit staff, notwithstanding the recollection of Committee volunteers that the donation and solicitation forms included the required information. Therefore, the Committee sent and fully tracked presumptive reattribution and redesignation letters, which resulted in resolving the excessive contributions to the Audit staff's satisfaction. The Committee nevertheless disagrees that such actions were untimely as determined by Audit staff, as notwithstanding the lack of documentary evidence, the recollection of Committee volunteers remains that such efforts were made on a timely basis.

Finding 2. Misstatement of Financial Activity

During audit fieldwork, the Audit staff reconciled the Committee's reported activity with its bank records for 2011 and 2012. The Audit staff discussed this matter during the exit conference at the conclusion of the fieldwork and provided Committee representatives with reconciliations for 2011 and 2012 based on disclosure reports filed by the Committee prior to audit notification and amended reports filed subsequently. The Audit staff informed the representatives that the amendments filed after audit notification materially corrected the misstatements.

It should be noted for the record that prior to Audit notification on April 23, 2013, the Committee on its own began to take corrective and prophylactic action regarding this finding. It had adopted new internal procedures and safeguards to minimize future administrative issues. A more detailed chronology appears below:

May 2012: KMFC meets with Campaign Financial Services (CFS) to engage new financial management and compliance firm services. Schedules and plans internal financial review by CFS to reconcile, review, and identify any issues with financials and FEC reporting;

June-July 2012: Assistant Treasurer Conni Brunni begins to send records and documents to CFS for review. Most records are incomplete, and the process takes several more months for all of the data required for the internal review to be received;

July 5, 2012: CFS files F99 on behalf of KMFC and Treasurer Raymond Karpe, notifying FEC and public records that the committee has begun an internal review and anticipates the adoption of new procedures and the filing of amendments forthcoming. CFS also spoke with FEC analyst Christopher Whyrick directly and discussed the process the committee was undertaking;

July 2012-Current: KMFC employs new procedures to maintain accurate financials, proper compliance and reporting, and adhere to FEC Safe Harbor policies;

October 12, 2012: KMFC engages a new treasurer, Jill Thomson, to ensure new policies and procedures are being followed;

June 2012-May 2013: KMFC and CFS conduct a line by line reconciliation and review using as many back up documents and records available to ensure financial and reporting accuracy. The process requires review of all transactions, edits made when necessary, and the preparation of amendments for filing to correct the public record. Throughout this process, CFS communicates via phone multiple times with analyst Christopher Whyrick, keeping him informed of the process and what is being done;

April 24, 2013: CFS files F99 on behalf of KMFC and Treasurer Jill Thomson to further inform public record that amendments are forthcoming;

May 2-May 3, 2013: Amendments of all reports from Year End 2009 through April Quarterly 2013 are filed with the FEC.

The steps taken above and the adoption of new procedures and the commencement of a financial review beginning in July 2012 resulted in the amendments filed to correct the misstatements of financial activity discussed herein. The vast majority of actions taken preceded the April 23, 2013 audit notification, and corrective amendments were filed within days thereafter.

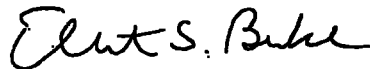
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In conclusion, the Committee was well on its way to correcting the two matters identified by Audit staff, and as noted in the DFAR, has completely done so to Audit staff's satisfaction. The Committee had engaged a new treasurer and new representatives including regular outside counsel

and a new compliance firm prior to the commencement of the Audit. Because both findings have been corrected, the Audit staff make no further recommendations, the engagement of a new treasurer and new representatives, and the adoption of internal procedures and safeguards, we urge you to close this matter without further action.

Should you have any additional questions, please do not hesitate to contact me.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Elliot S. Berke".

Elliot S. Berke